

Message Text

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ORIGIN XMB-04

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN

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E.O. 11652: N/A

TAGS: ETRD, BEXP, GY

SUBJECT: FCIA COVERAGE FOR SALES TO GUYANA STOCKFEEDS, LTD.

REF: GEORGETOWN 1295 OF 6-24-76

1. EXIMBANK'S DECISION REGARDING THE REQUIREMENT FOR A GUARANTEE FROM THE MINISTRY OF FINANCE OR A COMMERCIAL BANK WAS CONSIDERED NECESSARY BECAUSE:

(A) BOTH FCIA AND EXIMBANK CONSIDERED THE SUBJECT'S FINANCIAL CONDITION TO BE MARGINAL.

(B) SUBJECT'S FUTURE PROFITABILITY AND FINANCIAL CONDITION ARE DIRECTLY RELATED TO THE GUYANIAN GOVERNMENT'S POLICY CONCERNING THIS PRODUCT AND ITS PRICING RATHER THAN THE SUPPLY/DEMAND OF THE MARKET PLACE.

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(C) ALTHOUGH GUYANA GOVERNMENT OWNS ONLY 47 PERCENT OF SUBJECT'S

COMMONSTOCK AND CONSIDERS ITSELF A MINORITY SHAREHOLDER,
THE 47 PERCENT OWNERSHIP REPRESENTS THE LARGEST BLOCK OF
SHARES OWNED BY ANY ONE STOCKHOLDER.

2. THEREFORE, SINCE THE GOVERNMENT OF GUYANA HAS DE FACTO
CONTROL OVER THE SUBJECT THROUGH ITS REGULATION OF THE MARKETPLACE
AND THEIR LARGE OWNERSHIP OF STOCK, EXIMBANK HAS CONCLUDED
THAT THEY SHOULD PROVIDE A GUARANTEE. AS AN ALTERNATIVE TO A
GOVERNMENT GUARANTEE, EXIMBANK IS PREPARED TO CONSIDER A COMMERCIAL
BANK GUARANTEE AS SECURITY IN THE EVENT THE FORMER IS UNAVAILABLE.
IT IS NO UNCOMMON IN A TRANSACTION OF THIS TYPE FOR EXIMBANK
TO REQUIRE A GUARANTOR FROM EITHER THE GOVERNMENT OR THE
PRIVATE SECTOR.
KISSINGER

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